

LEASE

THIS LEASE is made and entered into as of October _____, 2012 (the "Effective Date"), between the County of San Luis Obispo, hereinafter referred to as "County" and Potratz Properties, LLC, a California limited liability company, hereinafter referred to as "Lessor," and will replace and supersede all previous agreements between County and Lessor, with respect to the Premises hereinafter described.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. **Premises:** Lessor hereby leases to County, and County hereby hires and takes from Lessor, for the term, at the rental and upon the conditions hereinafter set forth, those certain premises hereinafter referred to as "Premises," and more particularly described as approximately 15,121 square feet of improved office space (the "Office Space Premises"), and approximately 1,790 square feet of warehouse space (the "Warehouse Space Premises") as depicted on Exhibit A attached hereto, located at 3563 Empleo Street, San Luis Obispo, California (the "Property").

2. **Quiet Enjoyment:** Lessor represents that it is the fee simple owner of the Premises and has full right and authority to make this Lease. Lessor hereby leases the Premises to County and County hereby accepts the same from Lessor, in accordance with the provisions of this Lease. Lessor covenants that County shall have peaceful and quiet enjoyment of the Premises after the Commencement Date and during the Term of this Lease. Notwithstanding the forgoing, the Lessor and the Lessor's agents shall have the right to enter the Premises at reasonable times upon reasonable prior notice for the purpose of inspecting the same, showing the same to prospective purchasers, tenants, or lenders, and making such alterations, repairs, improvements, or additions to the Premises as the Lessor may deem necessary or desirable.

3. **Term:** The term of this Lease shall be for a period of fifteen (15) years, commencing on December 1, 2012 (the "Commencement Date"), and expiring on November 30, 2027 (the "Term").

B. Option to Extend.

(i) **Exercise.** County is given two (2) options to extend the Lease Term ("Option to Extend") for two five (5) year periods (each an "Extended Term") following the date on which the Term

and extension of the Term ("**Extended Term**") would otherwise expire, which options may be exercised only by written notice ("**Option Notice**") from County to Lessor given not less than nine (9) months prior to the end of the Term or any extension of the Term, as applicable ("**Option Exercise Date**"); provided, however, if County is in material default under this Lease (beyond the expiration of any applicable notice and cure period) on the Option Exercise Date or on any day thereafter, on or before the last day of the applicable Term, the Option Notice shall be totally ineffective, and this Lease shall expire on the last day of the applicable Term, if not sooner terminated in accordance with the terms of this Lease.

(ii) **Extended Term Rent.** If County exercises any Option to Extend as set forth herein, all the terms and conditions of this Lease shall continue to apply except that the rent payable by County during the "**Extended Term**" shall be equal to the Fair Market Value Rent ("**FMV Rent**"), subject to agreed minimum and maximum amounts as determined in accordance with this Lease, and, if the Parties cannot agree to the FMV Rent, by the appraisal procedures set forth in Section 4 below.

4. Rental:

A. Beginning on the Commencement Date, County shall pay Lessor the following rent for the **Office Space Premises** as follows (if possession is taken prior to or later than the Commencement Date specified, rent shall be prorated);

- Year One – Eighteen thousand one hundred and forty-five dollars (\$18,145) Gross per month, i.e. December 1, 2012 through November 30, 2013.
- Year Two – Eighteen thousand nine hundred dollars (\$18,900) Gross per month, i.e. December 1, 2013 through November 30, 2014.
- Year Three – Nineteen thousand six hundred and fifty seven dollars (\$19,657) Gross per month, i.e. December 1, 2014 through November 30, 2015.

B. Beginning February 1, 2013, County shall pay Lessor the following rent for the **Warehouse Space Premises** as follows (if possession is taken prior to or later than the date specified, rent shall be prorated);

- February 1, 2013 through November 30, 2015 – One thousand four hundred and fourteen (\$1,414) Gross per month.

C. Monthly rental shall be payable in advance on the first day of each month, without deduction,

offset or abatement except as provided for in Paragraphs 10, 18, and 19. All rental payments shall be sent to the following address: Potratz Properties, LLC, Attn: Steven O. Potratz , 851 Merced, Pismo Beach, CA 93449.

D. Beginning December 1, 2015, and every subsequent annual anniversary date thereafter, the preceding year's **Office Space Premises** rent shall be adjusted upward according to any percentage rise in the Consumer Price Index (CPI) **not to exceed four (4%)** percent annually, and the preceding year's **Warehouse Space Premises** rent shall be adjusted upward according to any percentage rise in the Consumer Price Index (CPI) **not to exceed two (2%)** percent annually. The adjustment shall be by a percentage equal to the percentage increase of the Consumer Price Index between the monthly published CPI for the month that is two (2) months before the adjustment date and the corresponding CPI for the same period twelve months previous. If there is a decrease or no change in the CPI, then the preceding year's rent will not be adjusted.

The term "Consumer Price Index" refers to the Consumer Price Index for Urban Wage Earners and Clerical Workers, Los Angeles - Anaheim - Riverside Statistical Area, California, based on the period of 1982-84 = 100 as published by the Bureau of Labor Statistics of the U.S. Department of Labor.

The index for the adjustment date shall be the one reported in the U.S. Department of Labor's most comprehensive official index then in use and most nearly answering the foregoing description of the index to be used. If it is calculated from a base other than the base period (1982-84=100), the base figure used for calculating the adjustment percentage shall first be converted under a formula supplied by the Bureau.

If the described index is no longer published, another generally recognized as authoritative shall be substituted by agreement of County and Lessor. If County and Lessor are unable to agree within 30 days after demand by either party, on application of either party the substitute index shall be selected by the chief officer of the San Francisco regional office of the Bureau of Labor Statistics or its successor.

E. Lessor shall provide written notice to County of each adjusted rental amount on an annual basis. If the rent is not adjusted at the time for said adjustment as provided herein, County shall continue to pay the annual rent established for the prior period until such adjustment is made, at which time County shall promptly pay to Lessor any deficiency and shall henceforth pay at the adjusted rate of rent.

F. Additionally, at the end of each five year period, regardless of exercised options and extensions, the rental rate shall be reviewed and adjusted, if necessary, by mutual agreement, to reflect the market rental rate

for rental property of similar quality and location. If Lessor and County are unable to agree on the rental rate at any five year interval, each shall appoint a competent and disinterested real estate appraiser with at least five years full-time commercial appraisal experience. The rent shall be the average of the two appraisers' determination of fair market rent.

5. **Use of Leased Premises:** The Premises shall be used for general office and records storage therein for the business of the County of San Luis Obispo. The Department of Social Services is the intended occupant. There is public visitation to the Premises for Department of Social Services programs.

6. **Taxes and Utilities:** Lessor shall pay during the term of this Lease and any extensions or renewals thereof, water, sewer and trash, and for any common area maintenance utilities for the Premises. County shall pay telephone service, and separately metered utilities other than those mentioned above, as used exclusively by County during its occupation of the Premises. Any and all fire suppression systems and any existing fire detection systems shall be maintained by Lessor according to requirements of the San Luis Obispo City Fire Department. Lessor will pay all real property taxes and any assessments levied or assessed on the land and improvements thereon of which the leased Premises is a part.

A. The baseline for County's water use in the Office Space Premises shall be eleven (11) CCF per billing cycle. County shall reimburse Lessor for said use upon receipt of invoice and copy of original utility bill. This baseline may be reviewed by the parties after the first full year of the Term.

B. County shall reimburse Lessor eighty percent (80%) of the monthly gas and electric meter charges for the entire building, of which the Premises is a part, until such time as the County may expand the size of the Premises, when the County shall thereafter pay a corresponding increase in the total gas and electric charges for the building. County shall reimburse Lessor for said use upon receipt of invoice and copy of original utility bills.

C. Landlord shall provide sufficient trash receptacles appropriate for general office use on the property.

7. **Insurance:**

A. Fire Insurance.

1) Lessor: Lessor's policy as to the building and Premises shall be primary. Lessor at its cost shall maintain during the Term of this Lease on the building and Premises a policy or policies of

standard fire and extended coverage insurance to the extent of at least ninety (90%) percent of full replacement value thereof, excluding County's personal property and tenant improvements.

2) County: County is presently self-insured. County at its cost shall procure and maintain during the Term of this Lease, a policy of fire insurance on County's personal property including tenant improvements paid for by the County, within the leased Premises.

B. Liability Insurance.

1) Lessor: Lessor agrees to maintain in force throughout the term hereof, at Lessor's sole cost and expense, commercial general liability insurance. This insurance shall include, but shall not be limited to, commercial general liability insurance providing protection against third party claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from any act or occurrence arising out of Lessor's operations during the Term. The policy shall provide that the Lessor's insurance will operate as primary insurance and that no other insurance maintained by the County will be called upon to contribute to a loss hereunder.

2) County: County is presently self-insured. County agrees to maintain in force throughout the term hereof, at County's sole cost and expense, commercial general liability insurance with a broad form general liability endorsement insuring against any liability to the public for any claim for damages due to death, bodily injury or property damage related to County's occupancy of the Premises, with single limit coverage of not less than \$2,000,000 per occurrence. Lessor shall be named as an additional insured in such policy. County shall provide Lessor with at least thirty (30) days' notice of cancellation of insurance.

C. Exemption of County from Liability. Except for County's willful or negligent conduct (including the conduct of County's employees or invitees), Lessor hereby agrees that County shall not be liable for any reason in connection with the building, including, without limitation, events that occur in the common areas, or for damage or injury caused by fire, utility outage or interruption, pipe or sprinkler leakage, or similar causes, injury to Lessor's business or loss of income therefrom or for damage to the goods, wares, merchandise, or other property of Lessor, Lessor's employees, or Lessor's invitees, in or about the Premises; nor shall County be liable for injury to the person of Lessor, Lessor's employees, or Lessor's invitees, whether such damage results from conditions arising upon the Premise or upon other portions of the building in which the Premises are a part, or from any other sources or places. County shall not be liable to Lessor for

any damages arising from any act or neglect of any other tenant, if any, of the building in which the Premises are located.

8. Indemnification:

A. County shall indemnify, hold harmless, and defend Lessor from and against any and all liability, loss, damage, costs, or expenses (including court costs and attorneys' fees, but excluding consequential damages) incurred by Lessor in connection with any and all claims, demands, or suits for damages, contribution, injunction or any other kind of relief to the extent any of them are directly caused by, arise out of or result from (i) the negligence or willful misconduct of County, its agents, contractors or employees on the Premises; and (ii) County's or its agents', contractors' or employees' failure to comply with any and all federal, state and local laws (except any workers' compensation laws) related to the use or condition of the Premises.

B. Lessor shall indemnify, hold harmless, and defend County from and against any and all liability, loss, damage, costs, or expenses (including court costs and attorneys' fees, but excluding consequential damages) incurred by County in connection with any and all claims, demands, or suits for damages, contribution, injunction or any other kind of relief to the extent any of them are directly caused by, arise out of or result from (i) the negligence or willful misconduct of Lessor, its agents, contractors or employees on the Premises and (ii) Lessor's or its agents', contractors' or employees' failure to comply with any and all federal, state and local laws (except workers' compensation laws) related to the use or condition of the Premises.

9. Janitorial Services: County shall provide janitorial service for the Premises.

10. Repairs and Maintenance: Lessor shall maintain and keep in good working condition at Lessor's own expense, the Premises, including structural repairs to the interior and exterior thereof, and utility systems within the Premises, and make all repairs and replacements thereto, including the replacement of all glass and all repairs occasioned by any acts, omissions, or negligence of Lessor, its agents, invitees, licensees, visitors, contractors, or any third party.

Lessor shall put the Premises, the building, and all common areas under the control of Lessor, into a condition fit for occupation by the commencement of this Lease, and shall thereafter repair all subsequent dilapidation thereof which may render them untenable. "Untenable" within the context of

this paragraph means that the Premises, or the building, or the areas under the control of Lessor, substantially lack any one or more of the following affirmative standard characteristics:

A. Effective waterproofing and weather protection of the roof and exterior walls, including broken windows and doors.

B. Plumbing facilities which conformed to applicable law in effect at the time of installation, maintained in good working order.

C. A water supply approved under applicable law, which is under the control of the County, capable of producing hot and cold running water, or a system which is under control of Lessor, which produces hot and cold running water, furnished to appropriate fixtures and connected to a sewage disposal system approved under applicable law.

D. Heating, Ventilating, and Air Conditioning (HVAC) facilities, which conformed to applicable law at the time of installation, maintained in good working order.

E. Electrical lighting, which conformed to wiring and electrical law at the time of installation, maintained in good working order. County shall be responsible for light bulb replacement.

F. Premises and appurtenances and every part thereof shall be clean, sanitary, and free from accumulations of debris, filth, rubbish, garbage, rodents, and vermin; and thereafter, all areas under control of Lessor shall be kept in every part clean, sanitary, and free from all accumulations of debris, filth, rubbish, garbage, rodents and vermin.

G. Floors, stairways, ramps, and railings shall have been maintained in good repair. Additionally, Lessor shall, at Lessor's expense, maintain and keep the leased Premises and every structural portion thereof in a good state of repair during the Lease term and any extensions or renewals thereof.

If Lessor fails or neglects to repair as set forth above, within thirty (30) days plus any additional period reasonably required by the circumstances after County's written notice to Lessor of the need for repairs, County may repair the same and deduct the expenses of such repairs from the rent to the lawful extent without waiver; or County may, at its option, vacate the Premises, in which case County shall be discharged from further payment of rent, or performance of other conditions, and this Lease shall automatically terminate on the date that County vacates the Premises. For the purposes of this paragraph, if County acts to repair and deduct said costs on the 30th day following notice as above, County shall be presumed to have acted after a

reasonable time; however, Lessor may affirmatively show the contrary to have been the case in any specific instance. No deductions are allowed county if the repairs necessary are as a result of acts or omissions by the County or any of its agents, contractors, invitees, representatives or employees.

Notwithstanding the foregoing, County shall reimburse Lessor for the cost to repair all damage caused to the interior of the building, to the extent resulting from the negligence or intentional misconduct of the County or of any of the County's agents, contractors, invitees or employees.

County in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. As an example, the County shall be responsible for plumbing issues as a result of County's use, carpet and flooring maintenance, repair of paint scuffs/wall ding repairs as a result of County's use, and replacement of light bulbs.

11. Surrender: County shall surrender the Premises unto Lessor on the last day of the term or sooner termination of this Lease in the same condition as when received, reasonable use and wear excepted.

12. Improvements, Remodeling, Alterations and Additions: County shall not make, or suffer to be made, any alterations (whether major or minor) of the Premises, or any part thereof, without the prior written consent of Lessor.

Any tenant improvements constructed exclusively on behalf of the County of San Luis Obispo, and in excess of \$1,000, shall comply with current prevailing wage laws. Lessor shall be solely liable for said compliance and shall defend and indemnify County against any claim to the contrary.

13. Landscaping / Grounds Maintenance: Lessor agrees to maintain, at Lessors sole cost and expense, all exterior landscaping, grounds, irrigation systems, and to provide parking lot repair and maintenance.

14. Parking: County shall have the exclusive right to utilize thirty-nine (39) on-site parking spaces, as detailed on the map attached hereto as Attachment No. 1, which may be amended from time to time by mutual agreement.

15. Assignment and Default: County shall not assign this Lease, nor sublet the whole or any part of the Premises, without the prior written consent of Lessor. Any attempt to do so shall be void, shall confer no rights on any third party, and shall be good cause for cancellation of this Lease by Lessor at Lessor's option. This Lease shall not be assignable by operation of the law.

Should County violate any of the terms or conditions hereof, Lessor may, thirty (30) days after giving written notice of said violation to the County, terminate this Lease and re-enter the Premises and remove all persons therefrom.

16. Right of Entry: Lessor shall have the right with reasonable notice and at reasonable times, to inspect the Premises and to perform maintenance, repairs and improvements to the Premises or the building of which the Premises is a part. Lessor shall also have the right, with reasonable notice and at reasonable times, to enter the Premises for purposes of the sale, lease or financing of the Property. Lessor may place signs for the sale or lease of the Property.

17. Signs: County at its cost shall have the right to place, construct and maintain a sign on the Premises, advertising its business on the Premises, as approved in advance by Lessor.

Any sign that County has the right to place, construct, and maintain shall comply with all laws, and County shall obtain any approval required by such laws. Lessor makes no representation with respect to County's ability to obtain such approval.

18. Destruction of Premises: If during the term of this Lease, the Premises are injured or destroyed by fire or other cause, so as to render the Premises unfit for occupancy, or so as to substantially prevent or impair County's use of the Premises for intended purposes, then this Lease shall terminate at the option of either party hereto; provided that if the Premises can be repaired to the satisfaction of County under the applicable laws and regulations of any governmental agency, using the similar standards of construction, within thirty (30) days or such reasonable time per circumstance up to one hundred twenty (120) days from date of occurrence with abatement of rent thereof, then Lessor may forthwith repair the same, in which event such injury or destruction shall in no way annul or void this Lease. The County shall be entitled to a proportionate reduction in the Rent herein reserved corresponding to the time during which, and to the portion of the Premises of which, County shall be deprived of possession. In the event Lessor elects not to make such repairs, or in the event repairs cannot be made to the satisfaction of the County, using the similar standards of construction, within thirty (30) days under the applicable laws and regulations of any governmental agency, the Lease shall then terminate at the option of either party hereto. County has no right of termination if any destruction was caused by its acts or omission, or the acts or omissions of its employees, agents, invitees or contractors.

19. **Condemnation:** If the whole of the Premises shall be taken or condemned by any competent authority under power of eminent domain for a public or a quasi-public use or purpose, then the leasehold estate hereby created shall cease and terminate as of the date actual physical possession of the leased Premises is taken by the condemnor or the date County is required to vacate the Premises in order to continue its business operations with minimum interruption; whichever is earlier. Compensation and damages awarded for such total taking shall belong to Lessor, except that County shall be entitled to receive any award for the taking of or damage to County's equipment, fixtures, or any improvements made by County to the leased Premises for which County would have had, but for the condemnation, the right to remove on expiration or sooner termination of this Lease. Further, County shall be entitled to that portion of the award granted for disruption to business, business relocation costs, and similar awards to offset County's Lease with appropriate offsets on rents.

In the event that there shall be partial taking of the leased Premises during the Lease term under the power of eminent domain, this Lease shall terminate as to the portion of the leased Premises so taken on the date when actual physical possession of said portion is taken by the condemnor, but this Lease shall at County's option, continue in force and effect as to the remainder of the leased Premises: provided, however, that the rental payable by County for the balance of the term where County elects to continue this Lease shall be abated in the proportion that the square footage of floor area of the leased Premises taken bears to the total floor space of the leased Premises at the time of such taking. In the event of such partial taking, compensation and damages for such partial taking shall belong to Lessor, except that County shall be entitled to receive any award for the taking of, or damage to, County's equipment, fixtures, and any improvements made by County to the leased Premises which County would have had, but for the condemnation, the right to remove on expiration or sooner termination of this Lease, and, in the event that this Lease is continued as to the portion of the leased Premises not taken in a suitable condition for the continuance of County's tenancy. Further, County shall be entitled to that portion of the award granted for disruption to business, business relocation costs, and similar awards to offset County's Lease with appropriate offsets on rents.

20. **Environmental Matters / Covenants Regarding Hazardous Materials:** Lessor and County shall at all times and in all respects comply with all applicable federal, state and local laws, ordinances and regulations ("Hazardous Materials Laws") relating to industrial hygiene, environmental protection or the use,

analysis, generation, manufacture, storage, disposal or transportation of any oil, flammable explosives, asbestos, urea formaldehyde, radioactive materials or waste, or other hazardous, toxic, contaminated or polluting materials, substances or wastes, including, without limitation, any "hazardous substances," "hazardous wastes," "hazardous materials" or "toxic substances" under such laws, ordinance or regulations (collectively, "Hazardous Materials").

Lessor and County shall further indemnify, defend, protect, and hold each other free and harmless from and against any and all claims, liabilities, penalties, forfeitures, losses or expenses (including attorneys' fees) or death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by:

A. the presence in, on, under or about the Premises or discharge in or from the Premises of any Hazardous Materials, or either party's use, analysis, storage, transportation, disposal, release, threatened release, discharge or generation of Hazardous Materials to, in, on, under, about or from the Premises: or

B. Lessor's or County's failure to comply with any Hazardous Materials Law. Lessor's and County's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repair, cleanup or detoxification or decontamination of the Premises, and the preparation and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of the term of this Lease. For purposes of the release and indemnity provisions hereof, any acts or omissions of Lessor or County, or by employees, agents, assignees, contractors or subcontractors of Lessor or County or others acting for or on behalf of Lessor (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to Lessor or County.

21. Holding Over: In the event that County shall hold over after expiration of the Lease term or any extension or renewal thereof, with the consent, express or implied, of Lessor, such holding over shall be deemed merely a tenancy from month-to-month on the terms, covenants, and conditions, so far as applicable, and subject to the same exceptions and reservations, as herein contained, until such tenancy is terminated in the manner prescribed by law.

22. County Default: If County shall:

(a) file or have filed against it a petition or case under any section or chapter of the United States Bankruptcy Code, as amended, or under any similar law or statute of the United States or any state and such petition or case is not discharged within sixty (60) days;

(b) fail to pay any installment of Rent or other amount due Lessor under this Lease within ten (10) days of the date due; or

(c) fail to fulfill any other covenant or provision of this Lease on its part to be performed and fail to remedy such failure within thirty (30) days after Lessor shall have given County written notice of such failure; then the same shall be a “**County Event of Default**” and Lessor shall have all rights, powers and remedies available at law or equity including, without limitation right to damages for breach hereof, and rights under California Civil Code Section 1951.2(a)(3), to recover at the time of the award the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that County proves could be reasonably avoided. Lessor shall use all commercially reasonable efforts to mitigate its damages in the event of default by County. Lessor and County agree that any such duty to attempt to mitigate shall be satisfied and Lessor shall be conclusively deemed to have used objectively reasonable efforts to relet the Premises by doing the following: (a) posting a "For Lease" sign on the Premises, and (b) advising Lessor's leasing staff or agents of the availability of the Premises. If Lessor receives any payments from the reletting of the Premises, any such payments shall first be applied to any damages, costs or expenses incurred by Lessor as a result of County's Event of Default under the Lease as set forth above, and in no event shall County be entitled to any excess of rent (or rent plus other sums) obtained by reletting over and above the rent herein reserved. The rights of Lessor under this Section 22 shall survive the expiration or earlier termination of this Lease.

23. Notices: Any notices, demands, or communication, under or in connection with this Lease, may be served upon County by personal service or by mailing the same by certified mail in the United States Post Office, postage prepaid, and directed to County at:

County of San Luis Obispo
General Services Agency
1087 Santa Rosa
San Luis Obispo, CA 93408
Attention: Property Manager

and may likewise be served on Lessor at:

Potratz Properties, LLC
c/o Steven O. Potratz
851 Merced
Pismo Beach, CA 93449

Either County or Lessor may change such address by notifying the other party in writing as to such new address as Lessor or County may desire used and which address shall continue as the address until further written notice.

24. Successors: The agreements herein made shall apply to, bind and inure to the benefit of the successors and assigns of Lessor, and the successors and permitted assigns of County.

25. Provisions Deemed Covenants and Conditions: The parties hereto agree that all the provisions hereof are to be construed as covenants and conditions as though the words importing such covenants and conditions are used in each instance, and that all of the provisions hereof shall bind and inure to the benefit of the parties hereto and their respective heirs, legal representative, successors and assigns.

26. Estoppel: Each party, within ten (10) days after written notice from the other party, shall execute and deliver to the other party, a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating the modifications. The certificate also shall state the amount of monthly rent, the dates to which the rent has been paid in advance, and the amount of any prepaid rent.

27. Binding Effect Law: Subject to any provisions hereof restricting assignment or subletting by County and subject to the provisions of Paragraphs 10, 18 and 19, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of California and any litigation concerning this Lease between the parties hereto shall be initiated in the County of San Luis Obispo.

28. Prior Agreements: This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior or contemporaneous agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, County hereby acknowledges that neither the broker (if applicable) acting as agent for Lessor nor any cooperating agent on this transaction nor the

Lessor or any employee or agents of any said persons has made any oral or written warranties or representations to County relative to the condition or use by County of the Premises.

29. **Subordination Agreement:** The County's rights under this Lease shall be subordinate to any ground lease or mortgage, deed of trust or any other hypothecation or security entered after or placed upon the Premises and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof, provided, however, that in the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or in the event any ground lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off, or foreclosed. Neither shall the rights and possession of County under this Lease be disturbed, if County is not then in default in the payment of rental and other sums due under this Lease or otherwise in default under the terms of this Lease, and if County attorns to the purchaser, grantee, or ground lessor or, if requested, enters into a new lease for the balance of the term of this Lease on the same terms and provisions contained in this Lease. County's covenant under this Section to subordinate this Lease to any ground lease, mortgage, deed of trust, or other hypothecation later executed is conditioned on each senior instrument containing the commitments specified in this subsection. If any mortgage, trustee, or ground lessor shall elect to have this Lease prior to the lien on its mortgage, deed of trust or ground lease, and shall give written notice thereof to County, this Lease shall be deemed prior to such mortgage, deed of trust or ground lease, whether this Lease is dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

County agrees to and shall attorn to any purchaser in good faith and for value or any successor in interest of the Lessor herein.

30. **Waivers:** No waiver by Lessor of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by County of the same or any other provision. Lessor's consent to or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by County. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by County of any provisions hereof, other than the failure of County to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

31. **Americans With Disabilities Act:** Lessor shall be responsible for alterations necessary to comply with the Americans With Disabilities Act of 1990, 42 U.S.C. sect. 12101 et seq., as currently enacted and in accordance with applicable laws.

32. **Smoking:** The Premises, as occupied by County and County clients shall be a non-smoking building and no smoking shall be allowed in or on the Premises, including but not limited to all balconies, courtyards, walkways and parking areas leased by the County.

33. **Severability:** The invalidity of any provision of this Lease shall not affect the validity, enforceability of any other provision of this Lease.

34. **County Option:** County shall have first right to lease any additional space that may become available at the Property. Lessor shall provide County notice at least ninety (90) days prior to space becoming available, if Lessor received such notice, and County shall respond within twenty (20) days to said notice.

35. **Entire Agreement and Modifications:** This Lease embodies the whole Lease between the parties hereto as it pertains to the subject real property and there are no promised terms, conditions, or obligations referring to the subject matter hereof, other than as contained herein. Any alterations, changes or modifications to this Lease must be in writing and executed by both Lessor and County.

36. **Miscellaneous:**

(a) **Construction.** The language of this Lease shall be construed according to its normal and usual meaning and not strictly for or against either Lessor or County. The rule of construction which allows a court to construe a document more strictly against its author shall not govern the interpretation of this Lease.

(b) **Remedy.** No right or remedy herein conferred upon or reserved to either party is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to any other right or remedy given by this Lease or now or hereafter existing at law or in equity. The failure of either party to insist upon the strict performance of any obligation shall not be deemed a waiver thereof.

(c) **Severability.** If any provision of this Lease, or its application to any situation, shall be invalid or unenforceable to any extent, the remainder of this Lease, or the application thereof to situations

other than as to which it is invalid or unenforceable, shall not be affected thereby, and every provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

(d) **Binding Agreement.** Subject to any provisions hereof restricting assignment or subletting by the County, the terms and conditions contained in this Lease shall bind the parties, their personal representatives, successors, and assigns.

(e) **Time is of the Essence.** Lessor and County agree that in fulfilling all terms and conditions of this Lease, time is of the essence.

(f) **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

(g) **Entire Agreement.** This Lease, the exhibits hereto which by this reference are incorporated herein as though set forth in full herein, covers in full each and every agreement of every kind or nature whatsoever between the parties hereto concerning the Premises, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. The Lessor has made no representations or promises whatsoever with respect to the Premises except those contained herein, and no other person, firm or corporation has at any time had any authority from the Lessor to make any representations or promises on behalf of the Lessor. No verbal agreement or implied covenant shall be held to vary the provisions hereof, any statute, law, or custom to the contrary notwithstanding. Except as otherwise provided herein, nothing expressed or implied herein is intended or shall be construed to confer upon or grant any person any rights or remedies under or by reason of any term or condition contained in this Lease.

(h) **No Agency.** Neither party is the agent nor partner of the other, and the legal relationship between the parties hereto shall be governed solely by the terms of this Lease when duly executed by both parties with respect to the transactions contemplated hereby.

(i) **Gender; Number.** Whenever the context of this Lease requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural.

(j) **Captions.** The captions appearing within the body of this Lease have been inserted as a matter of convenience and for reference only and in no way define, limit or enlarge the scope of meaning of this Lease or any provision of this Lease.

(k) **Counterparts.** This Lease may be executed in several counterparts, all of which constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Lease this _____ day of _____, 2012.

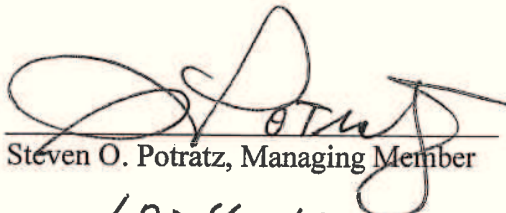
COUNTY OF SAN LUIS OBISPO

LESSOR

By: _____
Chairperson of the Board of Supervisors

Potratz Properties, LLC , a California limited liability company

Approved by the Board of Supervisors this _____ day of _____, 2012

By: 
Steven O. Potratz, Managing Member
10-4-12

ATTEST:

Clerk of the Board of Supervisors

APPROVED AS TO FORM AND LEGAL EFFECT:

RITA L. NEAL
County Counsel

By: 
Deputy County Counsel

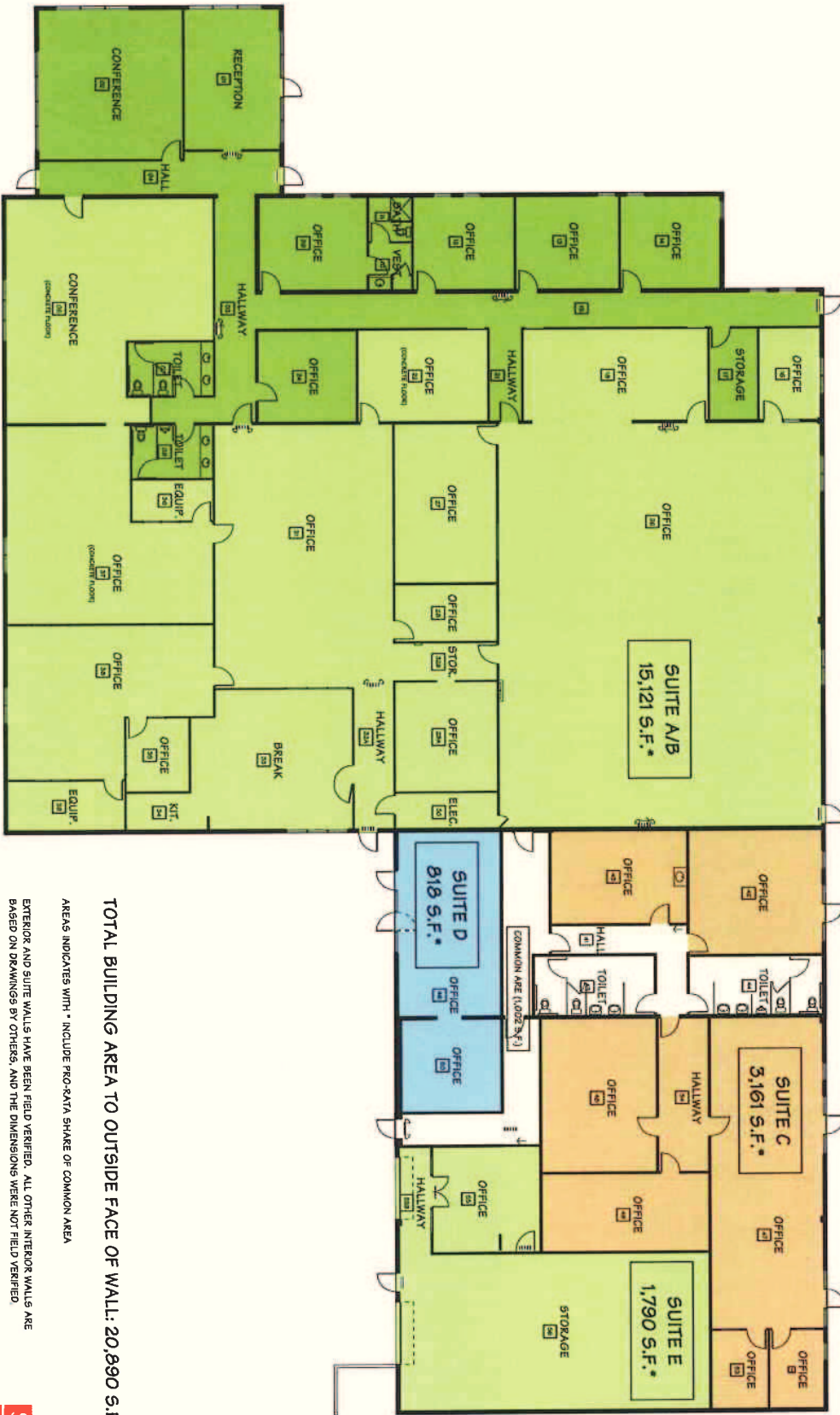
Date: 10/4/12

ATTACHMENT NO. 1

EMPLEO

GRANADA

1 LEASING AREA EXHIBIT
PARABLE BUILDING • 3653 EMPLEO STREET



TOTAL BUILDING AREA TO OUTSIDE FACE OF WALL: 20,890 S.F.

AREAS INDICATES WITH * INCLUDE PRO-RATA SHARE OF COMMON AREA
EXTERIOR AND SUITE WALLS HAVE BEEN FIELD VERIFIED. ALL OTHER INTERIOR WALLS ARE
BASED ON DRAWINGS BY OTHERS, AND THE DIMENSIONS WERE NOT FIELD VERIFIED.

EXHIBIT A
PREMISES- SUITES A/B AND E



STUDIO
DESIGN
GROUP
ARCHITECTS, INC